



Annual Report 1982

Letter of Transmittal

Federal Financial Institutions Examination Council
Washington, DC
March 31, 1983

The President of the Senate
The Speaker of the House of Representatives

Pursuant to the provisions of section 1006(f) of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 USC 3305), I am pleased to submit the 1982 Annual Report of the Federal Financial Institutions Examination Council.

Sincerely,



J. Charles Partee
Chairman



Table of Contents

- 1 The FFIEC—An Introductory Statement
- 3 Record of Actions of the Council
- 5 State Liaison Committee Report
- 9 Administration of the Council
- 11 Activities of the Interagency Staff Groups
- 21 The Federal Financial Institutions Regulatory Agencies and Their Supervised Institutions
- 24 Assets, Liabilities and Net Worth of U.S. Commercial Banks and Thrift Institutions for June 30, 1982
- 25 Income and Expenses of U.S. Commercial Banks and Thrift Institutions for 12 Months Ending June 30, 1982
- 29 Appendix A: Title X of Public Law 95-630
- 31 Appendix B: 1982 Audit Report
- 37 Appendix C: Maps of Agency Regions/Districts and Offices

The Federal Financial Institutions Examination Council

The Federal Financial Institutions Examination Council ("Council") was established on March 10, 1979, pursuant to Title X of Public Law 95-630, the Federal Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). The purpose of Title X was to create a formal inter-agency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Home Loan Bank Board, National Credit Union Administration, and Office of the Comptroller of the Currency, and to make recommendations to promote uniformity in the supervision of financial institutions. The Council is also to develop uniform reporting systems for federally supervised financial institutions, their holding companies, and the nonfinancial in-

stitution subsidiaries of such institutions and holding companies. It is to conduct schools for examiners employed by the five agencies represented on the Council and to make such schools available to employees of state financial institutions supervisory agencies. Overall, it is the intent of the legislation that the Council promote consistency in federal examinations and ensure progressive and vigilant supervision.

The Council was given additional statutory responsibilities under the Housing and Community Development Act of 1980 (section 340 of Public Law 96-399, October 8, 1980). Among the assignments are the implementation of a system to facilitate public access to data that depository institutions are required to disclose under the Home Mortgage Disclosure Act of 1975 (HMDA), and the aggregation of annual HMDA data, by

census tract, for each standard metropolitan statistical area.

The Council has five members: the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, a Member of the Board of Governors of the Federal Reserve System appointed by the Chairman of the Board, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the National Credit Union Administration Board. In addition, to encourage the application of uniform examination principles and standards by the state and federal supervisory authorities, the Council has established, in accordance with the requirement of the statute, an advisory State Liaison Committee composed of five representatives of state supervisory agencies.

Record of Actions of the Council

Following is a chronological record of the official actions taken by the Federal Financial Institutions Examination Council pursuant to sections 1006 and 1007 of Public Law 95-630 and section 340 of Public Law 96-399 (Housing and Community Development Act of 1980) during 1982.

February 11

Action. Approved the 1981 annual report of the Council.

Explanation. The legislation establishing the Council requires that, not later than April 1 of each year, the Council prepare an annual report covering its activities during the preceding year.

Action. Unanimously approved uniform examination objectives for safety-and-soundness examinations and recommended their adoption by the five agencies. (All five agencies approved the Council's recommendation.)

Explanation. The Council was established by Congress to "prescribe uniform principles and standards for the Federal examination of financial institutions. . . ." A first step toward achieving this goal is to identify the overall objectives of an examination of a financial institution. The Council identified 30 areas that are covered in a comprehensive safety-and-soundness examination and then developed examination objectives for each of those areas.

April 1

Action. Approved by a 3-0-2 vote two minor revisions to the Uniform Interagency Trust Rating System and recommended their adoption by the three banking agencies. (All three

agencies approved the Council's recommendation.)

Explanation. This rating system was adopted by the three agencies in 1978. The modifications approved by the Council give the agencies greater flexibility in calculating the composite rating and in assigning the agency staff person responsible for assigning the rating.

Action. Approved delegation of authority to the Task Force on Consumer Compliance and the Task Force on Supervision to approve examination procedures whenever the vote by the task force is unanimous.

Explanation. At the five agencies represented on the Council, senior staff supervisory officials have been delegated the authority to approve changes in examination procedures. Because those staff officials are members of its task forces, the Council believed it appropriate to delegate to these groups the authority to develop new examination procedures or to modify existing ones.

Action. Selected JRB Associates, Inc., McLean, Virginia to conduct a study of agency approaches to enforcement of the fair lending laws, Home Mortgage Disclosure Act, and Community Reinvestment Act.

Explanation. Section 340(e) of the Housing and Community Development Act of 1980 requires that the Council "transmit a report to the Congress not later than September 30, 1982, on the feasibility and desirability of establishing a unified system for enforcing fair lending laws and regulations, implementing the Community Reinvestment Act of 1977, and satisfying the public disclosure purposes of the Home Mortgage Disclosure Act of 1975. Such report shall evaluate the status and effectiveness of data collection and analysis sys-

tems of such agencies involving fair lending and community reinvestment, and shall outline possible specific timetables for implementing such a unified system." The study by JRB Associates is designed to help the Council prepare the report required by the statute.

May 20

Action. Approved by a 3-0-1 vote the issuance for public comment of proposed revisions to the commercial bank Reports of Condition and Income and the draft instructions for completing the reports.

Explanation. The Reports of Condition and Income are supervisory reports used by the banking agencies to monitor the financial condition of commercial banks. Shortly after the Council was established, it undertook a project to revise the Reports of Condition and Income to make them more effective supervisory tools while limiting as much as possible the reporting burden on banks. Each data item was reviewed, and those not needed for supervisory purposes were eliminated. Also, additional items were made necessary by relatively recent changes in banking practices, such as the greater emphasis on asset-liability management and the increased use of off-balance-sheet commitments and contingencies. The proposed Reports of Condition and Income reflect the results of these improvement efforts. The Council plans to implement the new reports effective March 31, 1983.

August 19

Action. Approved by a 3-0-2 vote Supervisory Supplement 1, Past-Due, Nonaccrual, and Renegotiated Loans and Lease Financing Receivables, for

implementation effective with the September 30, 1982 report. The Council also decided that some of the information in this report—loans past due 90 days or more, nonaccrual loans, and renegotiated “troubled” debt—would be made available to the public beginning with the report filed March 31, 1983. (The Office of Management and Budget (OMB) later approved this supplement effective December 31, 1982, with public availability of the report beginning with the report filed June 30, 1983.)

Also approved by a 3-0-2 vote Supervisory Supplements 2, Repricing Opportunities for Selected Balance Sheet Categories, and 3, Commitments and Contingencies, for implementation effective March 31, 1983. (OMB subsequently approved a June 30, 1983 implementation date for these supplements.)

Also approved by a 3-0-2 vote a quarterly income reporting requirement for all commercial banks beginning in 1983.

Explanation. On May 20, the Council had issued for public comment its proposed revisions to the Reports of Condition and Income, calling for an implementation date of March 31, 1983. After the comments were received, the Council determined that it was not feasible for banks to implement entirely the new reports by that date. Therefore, the Council identified those parts of the proposed new reports that should be given highest priority because of the need for information for supervisory purposes. Those parts were Supervisory Supplements 1, 2, and 3 and the quarterly income reporting requirement for smaller banks. (Banks with total assets of \$300 million or more are already required to file a quarterly in-

come report.) The Council decided to delay implementation of the remaining parts of the new reports until March 31, 1984.

September 9

Action. Unanimously approved transmitting to Congress the study of agency approaches to enforcement of the fair lending laws, Home Mortgage Disclosure Act, and Community Reinvestment Act conducted by JRB Associates, Inc. Also approved the issuance of the study for public comment for a period of 60 days.

Explanation. On May 20, the Council authorized the study by JRB Associates to help it carry out its responsibilities under section 340(e) of the Housing and Community Development Act of 1980. The conclusions and recommendations of the study raised a number of issues that are of interest to depository institutions, community and consumer groups, and other members of the public, as well as to public officials. The Council therefore decided to seek public comment on the issues raised by the study before making any recommendations to Congress.

December 2

Action. Determined by a 3-0-2 vote that the Past Due, Nonaccrual, and Renegotiated Loans and Lease-Financing Receivables Report (formerly Supervisory Supplement 1) would not be part of the Report of Condition but rather a separate report to be filed concurrently with the Report of Condition.

Explanation. The Council had decided that the December 31, 1982 and March 31, 1983 reports would not be released to the public and that information on loans past due 30 to 89 days would not be made public on reports filed June 30, 1983 and thereafter. Because a number of states accept the federal Call Report as their supervisory reports and also have laws requiring public disclosure of the report, the Council decided to consider the federal Past-Due Loan Report as separate from the Report of Condition. This will ensure the confidentiality of those sections of the Past-Due Loan Report that the Council decided should remain confidential.

Actions Taken Under Delegated Authority

The following examination procedures were approved by the Task Force on Consumer Compliance and the Task Force on Supervision under delegated authority:

- Federal Reserve Regulation Z (Truth in Lending)
- Federal Reserve Regulation C and Home Mortgage Disclosure Act
- Fair Debt Collection Practices Act
- All-Savers Certificates

The following examiner education courses were approved by the Task Force on Examiner Education under delegated authority:

- EDP Technology Seminar
- Bank Municipal Dealer/MSRB Seminar

State Liaison Committee Report

The State Liaison Committee (SLC) was established by Congress "to encourage the application of uniform examination principles and standards by state and federal supervisory agencies" pursuant to section 1007 of Public Law 95-630. The SLC attempts to comply with this broad mandate by assuming an active advisory role in the fulfillment of all Council responsibilities, especially when federal and state jurisdiction overlaps. The primary objectives of the SLC are to reduce the regulatory burden imposed upon state-chartered institutions by eliminating redundant supervisory procedures, and to foster communication and promote cooperation between state and federal supervisory agencies. Progress toward these ends has been achieved since the establishment of the Federal Financial Institutions Examination Council.

Before 1981, the SLC was unable to play an active role. Communication between the Council and SLC members was limited to monthly reviews of the Council's agenda. Sufficient lead time was not allowed for the study of issues, and SLC members' effectiveness was hindered by intermittent attendance at Council meetings. To rectify the situation, the Council provided a full-time staff position to the SLC, and the SLC increased its participation by having its chairman attend every Council meeting together with one additional SLC member on a rotating basis.

The contributions of the SLC depend largely upon the extent to which the Council Members support the goals established for the Council by Congress. The SLC believes that greater progress could be achieved by expanding the Council's agenda to its full potential and allowing the Council to become the focal point for the development of new and improved approaches to financial institution examination. It also believes that the

Council, with its mandate to promote uniformity, can coordinate activities among the federal agencies and between federal agencies and their state counterparts so as to economize on the combined state and federal resources devoted to supervision and regulation.

Organization

The SLC consists of five representatives of state agencies that supervise financial institutions. The representatives are appointed for two-year terms. A member who has served a full two-year term may not be successively reappointed. Each year, the SLC elects one of its members to serve as chairman for a period of 12 months. Of the five members, two are selected by the Council, upon consideration of the following criteria:

- a. Current responsibility for or previous experience in regulating different types of depository financial institutions;
- b. Achieving representation on the advisory committee from different regions of the United States;
- c. Achieving representation of minority groups;
- d. Having committee members who collectively have broad experience in the various areas of council responsibility; e.g., international, consumer compliance, etc.;
- e. Achieving various technical expertise, e.g., accounting, financial institution management, legal, etc.

The other three members are individually designated by the Conference of State Bank Supervisors, National Association of State Savings and Loan Supervisors, and the National Association of State Credit Union Supervisors.

Participation in Examination Council Deliberations

During 1982, the SLC introduced for discussion topics of direct concern to state supervisors and contributed views on other more general regulatory issues by acquainting the Council with the views and experiences of state supervisory authorities. At the Council's January 21 meeting, the SLC initiated a discussion of alternate approaches to examining state-chartered savings and loan associations. The SLC expressed the belief that many state authorities were capable of, and willing to, progress beyond the current type of cooperative examinations. In these arrangements, examinations are conducted jointly by Federal Home Loan Bank Board examiners and examiners from the state supervisory office. The Federal Home Loan Bank Board has declined to accept examination reports prepared by state examiners in lieu of those prepared by Bank Board examiners. The SLC noted that the exchange of examination results between the Federal Deposit Insurance Corporation and state banking supervisors has worked well for many years and expressed its eagerness to explore similar means of reducing the examination burden on state-chartered savings and loan associations by eliminating unnecessary duplication of state and federal examinations. The SLC believes that allowing increased participation by state examiners in federal training programs and participation by Bank Board examiners in state-run or, sponsored training programs could contribute to increased mutual confidence.

The Federal Home Loan Bank Board representative reported that the Bank Board had asked its regional supervisors to pursue reasonable methods of reducing the burden of examination and increasing cooperation with

state agencies. The Federal Home Loan Bank Board and the SLC agreed that progress was being made and expressed willingness to work together in an effort to achieve better cooperation.

The Council discussed a task force study of examination philosophies, concepts, and standards at the February 11 meeting. The Council's Task Force on Supervision had developed uniform examination objectives but was unable to resolve other substantive conceptual differences among the agencies. An SLC representative observed that his department had recently developed combined examination procedures for different types of financial institutions and noted that the task is a difficult one, even when there is only one regulatory authority to be satisfied. The SLC believes, however, that there is a need to face the issue because of the changes occurring in the nature of financial intermediaries and urged the federal agencies to reconcile the differences that have impeded progress.

When the Council attempted to address problems in the development of training courses for EDP examiners at its March 4 meeting, the SLC reported that similar problems had been resolved by state authorities through the development of programs that encompassed both small and large bank EDP operations.

On April 1, the Council took up questions relating to its study of section 340(e) of the Housing and Community Development Act of 1980. The SLC suggested that the study also determine what similar fair lending data were being collected by various state authorities pursuant to state law. The SLC determined that most states rely on on-site examinations and investigation of citizen complaints as the means of enforcing fair lending practices. The SLC did not discover any areas of duplication of effort. These findings were reported to the Council task force responsible for the study.

At its April 15 meeting, the Council began consideration of the proposed revisions to the commercial bank Reports of Condition and Income. This project continued to be a major item on the Council's agenda for the remainder of 1982, and the SLC participated in all Council discussions.

At its May 20 meeting, the Council considered the burden of the proposed Call Report revisions. The SLC cautioned that education is the major problem in the orderly implementation of changes to these reports. Without proper education, and reasonable lead time, particularly for smaller banks, the value of the reports is seriously compromised. The SLC, therefore, suggested an extension of the effective date to March 1985 for banks with assets of less than \$25 million and to March 1984 for banks with assets of between \$25 and \$100 million. The SLC foresaw serious difficulties in getting small banks into a position to respond to the new data requirements.

On July 22, the Council received a preliminary report on the public comments that had been received on the proposed Call Report revisions. Noting how few comment letters had been received, the SLC suggested an extension of the comment period. It supported the suggestion that priority be given to obtaining the types of data most critical for supervisory purposes, i.e., delinquent obligations, interest-rate-sensitive assets and liabilities, and contingencies. The SLC advised the Council of the consensus of the Board of Directors of the Conference of State Bank Supervisors that sensitive information be treated confidentially. The SLC believed that much of the data proposed was pertinent for supervisory purposes but that smaller banks would begin to realize its significance only after the new reporting requirements had been in place for a year or so. The Council extended the comment period 30 days and deferred implementation of the fully revised Call Reports until March 1984.

A major issue considered at the August 19 Council meeting was the proposed schedule of past-due, non-accrual, and renegotiated troubled loans and leases. In reaction to the Council's inclination to make such data available to the public upon request, the SLC proposed a phase-in period for releasing the information. This suggestion was later adopted.

By the November 4 Council meeting, the content of the report of past-due, nonaccrual, and renegotiated troubled loans and leases had been established, but the SLC expressed continuing concern about the Council's decision to make these data publicly available. The Council began to address the question of making similar data publicly available for all insured depository institutions. After reviewing the public comments, the SLC felt that time should be allowed to study all of the ramifications of public disclosures, and recommended that introduction of the report be delayed for six months to give the Council time to study the implications of the release of such information. This recommendation was not acted upon by the Council.

The SLC had alerted the Council that some states that accept the federal Call Reports in satisfaction of state requirements are subject to stringent public disclosure statutes that could be construed as requiring that all past-due loan data presented in the Call Report be made publicly available. In these states, therefore, it was likely that data considered confidential by the federal regulators might be released to the public. At its meeting of December 2, the Council considered this problem and decided that what had been known as Supervisory Supplement 1, Past Due, Nonaccrual and Renegotiated Troubled Loans and Lease Financing Receivables, would not be considered as part of the Call Report. Rather, it would be treated as a separate report to be filed only with the federal regulatory agencies. The data in these reports would be made available by the FDIC to the state regulatory agencies provided they ac-

corded it the same degree of confidentiality as the federal agencies. This approach, which had been developed with the help of the SLC, was supported by the SLC.

At this same meeting, the Council also addressed the suggestion that some actions required by the Garn-

St Germain Act affecting several of the agencies represented on the Council might be coordinated using the Council's task forces. Three of these items were of particular interest to the SLC: the purchase of net worth certificates by the FSLIC and FDIC, interstate and cross-industry acquisitions, and the applicability of alternative

mortgage transaction regulations to state-chartered financial institutions. All were rejected by the Council because they were matters of individual agency business, or because they were already being informally coordinated, or because of time considerations.

Administration of the Council

Regular meetings of the Council are held at 2:15 p.m. on the first Thursday of each month. A second regular meeting may be held on the third Thursday of the month if the amount of Council business requires it. Special meetings of the Council may be scheduled whenever matters of high priority must be considered without delay.

The Council's activities are funded in several ways. Its administrative operations are funded through semi-annual assessments on the five agencies represented on the Council, with each agency contributing one-fifth of the total cost of these operations. During 1981, the Council's examiner education program was funded through tuition fees paid by the agencies that sent student examiners to Council schools. Beginning in 1982, the fixed costs of the examiner education program will be recovered through equal assessments on the five agencies, while the program's variable costs will be recovered through student tuition fees. A residential facility for examiners attending Council classes in the Washington, D.C. metropolitan area is being leased by the Council, and room charges paid by the agencies whose personnel use the facility provide the funds for lease payments.

The Federal Reserve Board provides budget and accounting services to the Council, and the Federal Reserve's Controller serves as the Council's Controller.

The Council is supported by a small, full-time staff in the Office of the Executive Secretary. Each member of the Council's staff is detailed from one of the five agencies represented on the Council but is considered a salaried employee of the Council. The major responsibilities of the Office of

the Executive Secretary are to --

- schedule Council meetings and meetings of the Agency Liaison Group, prepare agendas for Council meetings, prepare minutes of Council meetings, and review all material destined for Council consideration;
- monitor work of all interagency staff groups involved in the Council's operations and assist staff groups in setting priorities and defining key issues;
- undertake special projects and studies as requested by the Council;
- work closely with members of the State Liaison Committee to ensure adequate communication between the members, the Council, and the interagency staff groups;
- coordinate public information activities, including, in cooperation with Federal Reserve Board staff, preparation and distribution of Council press releases;
- coordinate, with Federal Reserve Board staff, development of the Council's budget and the monitoring of budget performance;
- maintain liaison with the Congress and with federal departments and agencies; and
- prepare the Council's annual report to Congress.

Most of the staff support in the substantive areas of concern to the Council is provided by the five interagency staff task forces and a Legal Advisory Group (LAG). The task forces and the LAG are responsible for the research and other investigative work done by agency staffs on behalf of the

Council and for preparing reports and policy recommendations for consideration by the Council. Also, the Council has established an Agency Liaison Group, an interagency group of senior officials responsible for the overall coordination of their respective agencies' staff efforts in support of the Council. The Executive Secretary of the Council is an ex officio member of each of the five interagency staff task forces as well as the Agency Liaison Group. The staff time and other resources expended on behalf of the Council-related projects in 1982 were provided by the five agencies without reimbursement and are not reflected in the Council budget. Without those contributions by the agencies and the individual staff members, significant progress on Council projects during 1982 would have been virtually impossible.

As provided for in its enabling legislation, the Council created a State Liaison Committee composed of five state supervisors of financial institutions. The Committee advises the Council in all areas of Council responsibility and helps to ensure effective federal-state communication on matters of financial institution supervision and examination. Under the Council's rules of operation, the Conference of State Bank Supervisors, the National Association of State Savings and Loan Supervisors, and the National Association of State Credit Union Supervisors each designates one state supervisor to serve on the State Liaison Committee. The remaining two positions on the Committee are filled by state officials selected by the Council. The Committee currently meets as a group with the Council three times a year. In addition, the Committee is represented by at least one member at each meeting of the Council.

Organization, December 31, 1982

Members of the Council

J. Charles Partee, *Chairman*
Member

Board of Governors of the Federal
Reserve System (FRB)

William M. Isaac, *Vice Chairman*
Chairman

Federal Deposit Insurance
Corporation (FDIC)

Edgar F. Callahan
Chairman

National Credit Union
Administration (NCUA)

C. T. Conover

Comptroller of the Currency
Office of the Comptroller of the
Currency (OCC)

Richard T. Pratt

Chairman
Federal Home Loan Bank Board
(FHLBB)

State Liaison Committee

Edward D. Dunn, *Chairman*
Commissioner

Department of Banking and Finance
Georgia

Jack A. Carlson

Chief of Financial Services
Regulation
California

Gerald T. Mulligan

Commissioner
Division of Banks
Massachusetts

William C. Harris

Commissioner
Division of Banks and Trust
Companies
Illinois

David L. Paul

Commissioner
Savings and Loan Associations
Colorado

Council Office of the Executive
Secretary

Robert J. Lawrence,
Executive Secretary

Woodrow W. Reagan, Jr.

Deputy Executive Secretary

Agency Liaison Group

D. James Croft (FHLBB)
Jack E. Edgington (FDIC)
Charles W. Filson (NCUA)
Paul M. Homan (OCC)
Samuel H. Talley (FRB)

Legal Advisory Group

Robert E. Mannion, *Chairman* (FRB)
Thomas A. Brooks (FDIC)
Robert M. Fenner (NCUA)
Brian W. Smith (OCC)
Thomas P. Vartanian (FHLBB)

Intergency Staff Task Forces

Consumer Compliance

Rex J. Morthland, *Chairman* (FDIC)
Cynthia N. Graae, (FHLBB)

Robert Duff (NCUA)

Robert R. Klinzing (OCC)
Jerauld C. Kluckman (FRB)

Examiner Education

John M. Denkler, *Chairman* (FRB)
David A. Bomgaars (OCC)
Martin F. Kushner (NCUA)
Mary T. Mitchell (FDIC)
Robert J. Moore (FHLBB)

Reports

David C. Motter, *Chairman* (OCC)
William E. Dobryskowski (FHLBB)
V. A. (Mike) Fischer (NCUA)
Paul Sachtleben (FDIC)
Stanley J. Sigel (FRB)

Supervision

Francis M. Dorer, *Chairman* (FHLBB)
Layne Bumgardner (NCUA)
Paul M. Homan (OCC)
John E. Ryan (FRB)
James L. Sexton (FDIC)

Surveillance Systems

V. A. (Mike) Fischer, *Chairman*
(NCUA)
Bill C. Houston (FDIC)
Parker H. Jayne (FHLBB)
William L. Robertson (OCC)
William Taylor (FRB)

Activities of the Interagency Staff Groups

Section 1006 of Public Law 95-630 sets forth the functions of the Council. Briefly summarized, these functions are —

- to establish uniform principles, standards, and report forms for the examination of financial institutions and make recommendations for uniformity in other supervisory matters;
- to develop uniform reporting systems for federally supervised institutions, their holding companies, and subsidiaries of such institutions and holding companies; and
- to conduct schools for examiners employed by the federal supervisory agencies and make those schools available to employees of state supervisory agencies under conditions specified by the Council.

To administer projects in all of those functional areas effectively, the Council established the following five interagency staff task forces:

- Task Force on Consumer Compliance
- Task Force on Examiner Education
- Task Force on Reports
- Task Force on Supervision
- Task Force on Surveillance Systems

Each task force includes one senior official from each agency. The Council also established a Legal Advisory Group composed of a senior legal officer from each agency. The task forces and the Legal Advisory Group provide research and analytical papers and proposals on the issues the Council addresses.

Task Force on Consumer Compliance

The Task Force on Consumer Compliance was created to promote uniform enforcement of consumer laws among the five agencies. It is composed of senior personnel who are knowledgeable in the area of consumer compliance matters. The task force identifies and resolves problems concerning consumer compliance policies and procedures that may exist among several or all of the agencies represented on the Council.

The task force is responsible for those laws and regulations that protect consumers who conduct business with financial institutions. This includes enforcement of the Truth in Lending Act, the Fair Credit Billing Act, the Fair Credit Reporting Act, the Consumer Leasing Act, the FTC Improvement Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Electronic Fund Transfers Act, the Community Reinvestment Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, and Federal Reserve Regulation Q (Interest on Deposits). Other issues addressed by the task force are flood insurance and advertising regulations, civil rights policies and regulations involving lending and employment practices, and state consumer laws that have an impact on the agencies' examination programs.

Activities of the Task Force

The task force oversees the work of two standing committees and several *ad hoc* interagency project groups. The standing committees are the Community Reinvestment Act (CRA) Committee and the Fair Lending Committee. The CRA Committee

was established to improve and coordinate uniform implementation of the Community Reinvestment Act. In 1982, the Committee worked on developing informational questions and answers to supplement the CRA examination procedures and the assessment rating system. This project was tabled at the end of the year.

The Fair Lending Committee was established to address the fair lending statutes and regulations. During 1982, the Home Mortgage Disclosure Act (HMDA) uniform examination procedures were developed. The procedures were unanimously adopted by the five agencies in September 1982.

Two other uniform examination procedures developed by the task force and adopted by all the agencies in August 1982 were those for the Fair Debt Collection Practices Act and the Truth in Lending Act (Regulation Z). Revisions to the Truth in Lending uniform examination procedures reflecting changes in the Federal Reserve Board's Revised Commentary on Regulation Z and the Garn-St Germain Depository Institutions Act of 1982 were adopted unanimously in November 1982.

An interagency project group completed a series of videotapes to assist examiners when they conduct outside-contact interviews for the Fair Housing and Community Reinvestment Act portions of the consumer compliance examination. The tapes contain an introduction to making contacts, preparation for making contacts, general interview techniques, and two sample interviews. Accompanying the tapes are an instructor's manual and a student workbook. The workbook provides information on the types of organizations that have proven to be beneficial contacts. It also provides sample questions on

how to use the information that was gathered in the interviews when writing the examination report.

A major project throughout the year was the study required by section 340(e) of the Housing and Community Development Act of 1980. Congress called for the Council to submit a report on the feasibility and desirability of establishing a unified system among the five agencies for enforcing the fair lending laws and regulations, CRA and HMDA. The Council contracted with JRB Associates of McLean, Virginia, to study the systems currently used by the five agencies and to make recommendations on the issues specified in the legislation. The JRB study concluded that a unified system is feasible. This study was submitted to Congress in September 1982. Because several of the JRB recommendations involved statutory, regulatory, or procedural changes affecting financial institutions and the users of HMDA reports, the Council sought public comment in September regarding the desirability of a unified system. There were eight specific issues of concern:

1. a proposed amendment to HMDA
2. recommendations on recordkeeping and reporting for institutions
3. the compliance cost for institutions
4. the appropriate coverage for institutions
5. the collection of observational data
6. public disclosure of the fair housing lending data
7. disclosure of purchased residential loans
8. the value of automated systems currently in place

The comment period ended in November. The Consumer Compliance Task Force will be completing its review of the public comments in early 1983 and will submit its findings and recommendations to the Council.

In 1983, the task force also plans to engage in the following activities:

- establish a project group to explore the possibility of implementing the GAO Consumer Complaint Study recommendations
- establish uniform examination procedures for ECOA (Federal Reserve Regulation B) and the Fair Housing Act
- consider uniform enforcement of the effects test
- determine enforcement problems regarding credit-scoring systems
- determine the need to update the uniform CRA examination procedures
- survey the central depositories on the public use of the HMDA-1 and aggregated HMDA data
- develop an interagency consumer information pamphlet containing information on the five agencies, whom they regulate, and whom to contact for inquiries and complaints.

The task force plans to continue addressing uniform agency enforcement of consumer laws and technical issues relating to agency implementation of Council-approved policies and examination procedures.

Task Force on Examiner Education

The Council's Task Force on Examiner Education fosters and supervises the Council's training program. The primary goal of the task force is to train examiners to attain the highest level of performance in carrying out their official duties and responsibilities. To achieve this goal, the task force established specific objectives:

- identification of examiner training needs and development of programs to meet those needs
- review of training curricula and instructor standards to provide high-quality programs

- establishment of appropriate training facilities
- assistance in developing training opportunities for examiners of state and foreign financial institution supervisory agencies

Activities of the Task Force

In 1982, the Task Force on Examiner Education continued to make a significant contribution to the training of financial institution examiners. During the year, over 1,600 examiners and other agency staff members attended Council-sponsored training programs. Following are the courses conducted in 1982 and the total annual enrollment for each course:

Course Title	No. of Sessions	No. of Examiners Trained
Instructor Training	21	208
Management Workshop	28	593
Fundamentals of Data Processing*	2	51
EDP Work Program	5	100
Basic Entry Level Trust School*	2	60
Basic International Banking	8	159
Intermediate International Banking	9	212
Trust Workshop	2	58
Bank Municipal Dealer/MSRB Seminar	5	98
EDP Technology Seminar	1	83
TOTAL	83	1,622

*Council core-course—several sessions conducted by individual agencies. (See following report for core-course training.)

The preceding list includes two new programs added during 1982: the Bank Municipal Dealer/Municipal Securities Rulemaking Board (MSRB) Seminar and the EDP Technology Seminar. The MSRB Seminar, formerly an OCC program, began operation as a Council course in April, and five sessions were conducted during the year. This one-week school provides examiners with an under-

standing of banks' municipal securities underwriting activities and of the regulations governing these activities.

The EDP Technology Seminar was developed in response to the need to keep EDP examiners abreast of changes in computer and software technology. The rapid increase in the use of mini- and microcomputers in financial institutions is having considerable impact on financial institutions' internal operations. This seminar, to be offered again next year, features guest speakers who are recognized leaders in the EDP field.

In addition to the above courses conducted by the Council, two courses were conducted by the individual agencies using Council-developed materials as a core: Fundamentals of Data Processing and the Basic Entry-Level Trust School. A substantial portion of these courses consisted of common-core materials, resulting in considerable uniformity of instruction.

Nine sessions of Council schools were conducted at or near the regional offices of the agencies. This reduces travel costs and serves a cluster of examiners when sufficient numbers of them require training in the same subject at about the same time. Sessions of Management Workshop, Instructor Training, and International Banking were conducted regionally during the year. When possible, the training room in a regional office of a member agency is utilized. Four of the nine regional sessions were conducted in San Francisco. Other sessions were conducted in Dallas and Atlanta.

Classroom space continued to be subleased from the FDIC. Thus a modern, well-equipped training facility has been in use since the inception of Council training programs. Located in Rosslyn, the training center features a variety of classrooms and breakout rooms. Audiovisual aids are available for use in all courses.

The Council continued to lease apartments at The Virginian near the training center. This provides housing for

attendees at a considerable savings over local hotel rates. The lease is extended at six-month intervals, and the number of units leased is adjusted at these intervals to meet projected needs.

In 1983, the task force will follow an ongoing program of refining and updating the courses for which the Council is now responsible. The task force also plans to expand the program, exposing examiners to areas that can have an important impact on the viability of financial institutions, yet are often narrow, highly technical, or applicable to only a select few institutions. Such in-depth exposure does not come in the normal course of examiner education or experience. For example, in June 1982, the Council conducted an EDP Technology Seminar aimed at giving senior EDP examiners exposure to the present and future effects of data processing on the operation of financial institutions. The three-day seminar featured nationally recognized experts in the field.

The task force was encouraged by the success of this speciality seminar and is planning to extend this approach to other areas. The Council's Examiner Training School is well suited to the task of providing these types of training programs. It has become conditioned to the type of close coordination needed to bring about programs that are relevant and useful to examiners in a multiagency setting. Because a single agency would have only a relatively small number of people to train in certain topic areas, the cost per trainee might deter a single agency from giving such training, even though it is extremely important. The Council school, however, would meet the small-scale interest of the individual agencies by creating a single, cost-effective "specialty seminar."

Drawing on the experience and expertise of the examiner training school, the task force plans to offer another specialty seminar in early 1983. This seminar, entitled Regulatory Perspectives: International Banking, will be

offered to senior international examiners and senior examiners-in-charge and is intended to give selected examiners an update on the international credit situation, in general and country by country. The speakers will be recognized authorities in international credit and leading regulators from participating agencies.

Course Descriptions for 1983

The following courses will be offered in the Examination Council's Examiner Education Program in 1983.

EDP

Fundamentals of Data Processing

Fundamentals of Data Processing, an entry-level course, deals with basic computer language and systems, and the creation, utilization, and storage of programs and data. Emphasis is on internal controls necessary from a supervisory standpoint. Although not designed to produce overall expertise in electronic data processing, this one-week course allows examiners to become familiar with key terminology and concepts necessary to operate effectively in today's increasingly automated world of finance. Candidates for attendance should have approximately one year of examination experience. During 1983, this course will again be conducted by individual agencies using Council course materials.

EDP Work Program School

The two-week EDP Work Program School instructs EDP examiners in the techniques of examination of a data processing center, using the Interagency EDP Work Program and the "Interagency EDP Handbook." The examiner learns to draft technical comments for the report of examination and, upon completion of the course, is able to complete the EDP work program in its entirety. Attendees should have completed a

basic course equivalent to the Council's Fundamentals of Data Processing, participated in a minimum of two EDP examinations, and met other requirements determined by their agency. Examiners who have worked with the EDP Work Program and EDP examination procedures satisfactorily for 12 months or more should not be encouraged to attend.

EDP Technology Seminar

The EDP Technology Seminar is designed to update senior EDP examiners on current developments in the EDP area. The seminar features guest speakers who are nationally recognized authorities in their fields. Topics vary from session to session, as does the duration of the sessions.

International

Basic International Banking School

Students in the one-week Basic International Banking School learn the functions, language, and concepts of international banking, as well as the role of the regulatory agencies. Topics include *nostro* and *vostro* accounts, cable and telex operations, international lending, letters of credit, bankers acceptances, and foreign exchange. Prerequisites for attendance in 1983 are (1) a minimum of one year's experience as an examiner and (2) a maximum of four year's experience in commercial examination for OCC and FRB attendees, with no specific limit for FDIC and state attendees. No previous experience in international examination is required. Those with considerable international experience should not enroll in the basic school.

Intermediate International Banking School

The purpose of the five-day Intermediate International Banking School is to raise attendees to a high level of expertise in the area of international

banking and its regulation. The course gives more advanced treatment to many of the topics introduced in the basic school, emphasizing foreign exchange, international lending, foreign credits, and country risk. Case studies give the student analytical experience in these areas. Only senior examiner specialists teach in this course, aided in some sessions by guest speakers from the banking industry. Agencies should carefully review the qualifications of attendees making sure they have the following prerequisites: (1) a minimum of 24 months' examining experience (FRB and OCC examiners with over four years' commercial examining experience should attend the intermediate school and omit the basic school), and (2) previous participation in examinations of international banking. Participation is based on the agency's identification of need.

International Banking Seminar

The International Banking Seminar is a new two-day seminar on the international credit situation planned to begin early in 1983. Speakers at this program will be leading international bankers and senior staff of the bank regulatory agencies. Attendance is limited to senior international examiners and senior examiners in charge. The registration fee will be \$40 for the entire conference but may vary for subsequent sessions.

Trust

Basic Entry-Level Trust School (BELTS)

The Basic Entry-Level Trust School, largely conducted by the individual agencies using Council-developed materials, introduces students to the functions and organization of a trust department, the duties and responsibilities of a fiduciary, and the supervisory role of the regulatory agencies. This two-week course incorporates lecture, group discussion, and case studies. Participants are expected to have either 3 to 6 months of experi-

ence as a trust examiner or 18 to 24 months of commercial examining experience. In 1983, this course will again be conducted by the individual agencies using Council course materials.

Trust Workshop

The Trust Workshop emphasizes current events in the fiduciary field. Topics vary from session to session, and the workshop features guest speakers from the trust industry. Senior trust examination personnel are designated as attendees at this conference.

Other

Instructor Training

Instructor Training is a one-week course that prepares examiners for classroom teaching assignments. Students learn to prepare lesson plans, give three classroom presentations, and critique each others' presentations as shown on video tape. Students learn the techniques of lecturing, leading discussions, and integrating the use of audiovisual aids. Attendees should be experienced examiners who anticipate teaching assignments in their agency or in Council courses.

Management Workshop

The one-week Management Workshop emphasizes the managerial skills needed by examiners. Attendees bring survey instruments completed by themselves and by colleagues or subordinates, administer self-assessment questionnaires, and participate in small-group discussion sessions. The basic concepts are presented through lectures, films, video tapes, and slides. The desired results are an improved self-perception as a manager and a greater knowledge of good applied management techniques. Participants should have a minimum of five years' examining experience and some previous training in management.

Bank Municipal Dealer/ MSRB Seminar

This new Council school, formerly an OCC program, was approved in 1982 for Council operation. Topics include municipal securities dealer organization and regulatory structure, professional qualifications, securities processing and clearance, underwriting, industry practices, and fair practice rules related to trading and sales. Qualifications for attendance at this five-day course are that the person should be a senior assistant examiner or newly commissioned examiner, or an individual who performs or is expected to perform a bank municipal securities dealer department examination. This seminar is not designed for senior examiners who function solely in a supervisory capacity.

Task Force on Reports

Section 1006(c) of Public Law 95-630 requires the Council to develop uniform reporting systems for federally supervised financial institutions and their holding companies and subsidiaries. To meet this objective, the Council established the Task Force on Reports, which has also been given other responsibilities related to the development of interagency uniformity in the reporting of periodic information needed for effective supervision. The task force is thus concerned with such issues as development and interpretation of reporting instructions; application of accounting standards to specific transactions; publication and distribution of reports; development and application of processing standards; monitoring of data quality; assessment of reporting burden; and liaison with other organizations, including the Securities and Exchange Commission, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. The task force is also responsible for any special projects related to these subjects that the Council may assign.

Activities of the Task Force

Throughout the year, the task force continued work on a major revision of commercial bank quarterly Reports of Condition and Income (Call Reports). The purpose of the revision is to secure better supervisory data that will allow more reliance on off-site surveillance. The banking industry is so dynamic that periodic reviews and revisions of data collection systems are a necessity. These revisions enable the agencies to eliminate collection of data that are no longer needed for supervision.

The proposed major revision of the Call Report was issued for public comment in June 1982. The Council later decided to defer the overall revision until 1984, but to push ahead with development and implementation of three schedules. The data to be collected in these schedules were deemed to be of primary importance for supervisory purposes.

During the last half of 1982, most of the effort of the task force was directed toward determining the precise content and instructions for the three new schedules. With the approval of the Office of Management and Budget (OMB), under the terms of the Paperwork Reduction Act of 1980, a new report, Past-Due, Nonaccrual, and Renegotiated Loans and Lease Financing Receivables, was implemented for all insured banks beginning December 31, 1982. The Council decided that, beginning with the June 30, 1983 reports, data on loans past due 90 days and still accruing, nonaccrual loans, and renegotiated loans and leases reported by individual banks will be subject to public release upon request. Data on loans past due 30 to 89 days and still accruing will remain confidential.

Also with OMB approval, all insured banks will submit quarterly income reports, beginning with the first quarter of 1983. Previously, banks with assets under \$300 million submitted only semiannual income reports. Two new supplements to the Call Report will be implemented with

the June 30, 1983 reports: Schedule J, Repricing Opportunities for Selected Balance Sheet Categories and Schedule L, Commitments and Contingencies.

Beginning with March 31, 1983 reports, all insured banks with assets of \$10 million or more will file their Call Reports on an accrual basis. This requirement will apply to all insured banks beginning with March 31, 1985 reports.

At the request of the Council, the task force has done a study of the reporting and disclosure requirements relating to delinquent loans imposed by the five agencies on institutions under their jurisdiction.

During 1983, the task force will be engaged in carrying out the steps required to allow implementation of the overall Call Report revision in 1984. The steps include further review of public comments, further meetings with industry groups, and submission of the revised report to the Council, for final approval and to the OMB. Work on completion of final instructions will also proceed.

The task force will also be working on developing new reports on loans to insiders of commercial banks. Sections 428 and 429 of the Garn-St Germain Depository Institutions Act call on the banking agencies to develop new reports to replace existing ones in this area.

A continuing function of the task force is to answer questions from banks about the proper interpretation of Call Report instructions and the appropriate treatment of new banking activities. The task force also monitors the processing of Call Reports by the agencies to ensure continuing high-quality data.

Task Force on Supervision

The purpose of the Task Force on Supervision is to review and make recommendations to the Council on matters relating directly to the exam-

ination and supervision of financial institutions. In performing this mission, the task force relies heavily upon the expertise of its individual members and their staffs in analyzing and formulating policy recommendations provided to the Council. Members serve on at least one of the 10 standing committees that meet at the discretion of the subcommittee chairman. *Ad hoc* working groups are also used when an issue needs to be addressed in a unique or particularly timely manner. When the assignment is completed and reported out to the full task force, the group is disbanded.

The task force performs a number of other duties in addition to directing and evaluating the work of its subcommittees and providing the Council with papers and proposals on policy matters. These tasks include drafting replies to congressional and outside inquiries, evaluating supervisory issues raised by the General Accounting Office and by other governmental or regulatory bodies, and responding to requests from other Council task forces for information or recommendations.

The task force, which is made up of one senior supervisory official from each agency, meets monthly, with special meetings scheduled when needed.

Activities of the Task Force

The task force completed the following projects in 1982:

- study of the conceptual differences in examination philosophies and approaches of agencies that examine financial institutions
- examination of accounting and legal issues involved with Risk Participations in Bankers' Acceptances
- recommendation of a list of examination objectives for 30 functional examination areas
- improvement of the coordination of bank and bank holding company examinations, supervision, and general reporting standards

- ratification of a new interagency agreement for the sharing of computer-maintained information among the regulatory agencies
- recommendations on standardizing foreign currency translation as it relates to U.S. banking organizations' foreign operations under different exchange-rate situations
- revising the Call Report for the purpose of obtaining data for specific supervisory purposes
- responding to the GAO report "Information about Depository Institutions' Ancillary Activities Is Not Adequate for Policy Purposes"

The areas in which task force projects are being conducted in 1983 are listed below.

Use of CPA Audit in the Examination Process

The purpose of the CPA audit project is to study the feasibility and desirability of substituting CPA activities for the activities of member agency examiners and to identify the conditions under which such a substitution would be appropriate. This project has two major objectives. The first is to determine the adequacy of CPA audits for institution supervisory purposes and the compatibility of CPA audits with the examination process. This activity would include a review of each agency's present reliance on CPA audits and related state requirements, as well as a comparison of agency examination standards with CPA industry standards for institution audits. The second objective is to determine the feasibility and desirability of requiring CPA audits. In accomplishing this objective, consideration would be given to the results of the first part of the project, the availability of CPAs with expertise in auditing financial institutions, and the cost to financial institutions. Each agency representative has been requested to compare the agency's examination methodologies and procedures with the CPA audit guide. The

target completion date for this project is June 1983.

EDP Supervision and Training

In 1982, the task force approved the merger of the EDP Subcommittee (Task Force on Supervision) with the EDP Development Group (Task Force on Examiner Education) to form the EDP Supervision and Training Subcommittee. This newly formed subcommittee, which will report to both task forces, will meet to exchange ideas and discuss matters of mutual interest involving EDP supervisory and training matters. Of particular interest is the adoption of a consistent policy of accounting for software development expenses that is consistent among the financial regulatory agencies. Other activities of the subcommittee include drafting guidelines for proper accounting treatment for computer software, developing the final chapter of the EDP handbook, and planning for 1983 EDP technology seminars.

Garn-St Germain Act

On October 15, 1982, the Garn-St Germain Depository Institutions Act of 1982 was signed into law. Although the act gives the agencies authority to effect changes in lending limits and reporting requirements, the task force is seeking to determine the types of information needed to carry out this statutory mandate as well as to develop uniformity in the required reporting format. Specifically, the task force will be addressing the issues of loan limits to executive officers, procedures for institution approval of certain loans to insiders, correspondent accounts, and the disclosure of material facts. Completion of this project is expected in mid-1983.

Accounting Issues

Two projects are underway in the area of accounting. The first is an at-

tempt to develop a uniform supervisory position on purchase accounting, including the treatment of goodwill and other intangibles. The second is a review of the effectiveness of adjusted historical costs as a basis for preparing depository institutions' financial statements, in which consideration is being given to the use of current value accounting in such statements.

Examiner Training

During the year, the task force was in close contact with the Task Force on Examiner Education, which currently offers 10 courses for examiners. These offerings complement the training programs of the individual agencies represented on the Council. The Task Force on Supervision is particularly interested in developing an advanced training program for senior examiners and agency officials that would focus on specialized fields of examination and would update examiners in subjects of concern to the federal financial institution regulatory agencies. Members of the task force are particularly interested in seeing seminars in EDP Technology and International Banking offered in 1983.

Task Force on Surveillance Systems

The Examination Council established the Task Force on Surveillance Systems to deal with surveillance and monitoring systems used by the agencies. The basic function of the task force is to help formulate goals, objectives, and priorities for facilitating the development, and the sharing among the agencies, of computer-based and other surveillance procedures. A prime objective is the development of standardized interagency systems that can be used to monitor the performance of financial institutions and as early-warning devices to detect emerging financial problems. The task force recommends ways to achieve those objectives. Council-approved systems will be imple-

mented under the oversight of the task force, in coordination with other Council task forces as necessary.

Activities of the Task Force

Most task force activities in 1982 related to: (1) ensuring the timely production of the Uniform Bank Performance Report (UBPR), and (2) preparing to incorporate into the UBPR those changes in the commercial banks' Reports of Condition and Income (Call Report) approved by the Council. These will also be the principal activities in 1983.

Uniform Bank Performance Report

In August of 1980, the Examination Council approved a development program for the Uniform Bank Performance Report. During 1981 and 1982, the primary focus of the task force was the development and implementation of the UBPR. The first UBPRs were distributed to banks and made available to the public in April 1982, using the December 1981 Call Report. The UBPR is an analytical tool created for bank supervisory, examination, and management purposes. It shows the impact of management decisions and economic conditions on a bank's earnings performance and condition. A UBPR is produced each quarter for each insured commercial bank in the United States. It contains several years of data presented in the form of ratios, percentages, percentile rankings, and dollar amounts computed mainly from Call Reports submitted by each bank. Each UBPR also contains corresponding average data for a bank's peer group and state, along with peer group percentile rankings for most ratios. The UBPR presents three basic groups of data for use in financial analysis of a bank: (1) the individual bank's data, (2) data for both the peer group and state, and (3) percentile rankings.

Peer Group Data. Peer group data are included in the UBPR to show how a

group of banks with similar characteristics have performed during a particular period. This information is provided as a frame of reference for evaluating the bank's financial condition. The primary peer group formation (consisting of 25 peer groups) used in the UBPR is based on a combination of factors: asset size, branch system versus nonbranching system, and metropolitan versus nonmetropolitan location. All banks within the same peer group are of similar size, type, and location. An alternative peer group formulation is provided to reflect the performance of all banks located in the same state.

Percentile Rankings. The percentile rankings are used to determine how high or low a bank's ratio is in relation to its primary peer group. All banks with the same ratio value are assigned the same rank within a peer group. The numerical value of the percentile rankings will range from 0 (lowest within the peer group) to 99 (highest within the peer group).

The UBPR is arranged into four sections consisting of summary ratios, income and expense information, balance sheet information, and other information. In each of these general areas, the bank's performance is compared with the performance of banks in its primary peer group.

The development of the UBPR system has provided banks and supervisory agencies with an extremely useful analytical tool. Bankers and examiners alike may use this report to further their understanding of a bank's financial condition and, through this understanding perform their duties more effectively.

Examiners and bank management use the UBPR to analyze the level and trends of bank ratios as compared with similar peer group banks. The percentile rankings simply show the position of a bank relative to its peers for a particular financial variable and are not necessarily indicators of good or bad performance. No single ratio, percentile ranking, or trend provides

conclusive evidence about the condition of a bank; they may, however, raise questions that can normally be answered through a more in-depth analysis. "A User's Guide for the Uniform Bank Performance Report," which is available to the public for a fee, provides a detailed explanation of the UBPR and its uses.

UBPR Training. In response to a survey of training needs among the three banking agencies and state supervisory agencies, basic core training materials were developed. The agencies can tailor these materials to their own needs. Training of state supervisory agency personnel is achieved through participation in agency-sponsored training programs.

UBPR Distribution Policy. In 1982, the Council adopted a policy for making UBPRs and related data available to the federal bank regulatory agencies and others. This policy is described below.

- UBPR data on all banks are made available quarterly to each federal banking agency. Each agency also receives the UBPR data to maintain computerized data bases used for surveillance and analysis.
- UBPR data on banks in a particular state are made available to the state banking supervisory agency. All state bank supervisors, with the exception of Illinois, currently receive UBPRs for insured commercial banks located in the state either quarterly or semiannually. A survey will be performed during 1983 to review each state's need for UBPRs and to determine if individual state banking departments would prefer to receive the UBPRs on either magnetic tape or microfiche.
- UBPR data on a particular bank are sent free of charge to that bank. Insured commercial banks in the United States and U.S. territories automatically receive a copy of their own report for each report-

ing period if they have filed a Report of Income. Upon request, any federally supervised bank may obtain its own UBPR without charge regardless of whether it filed a Report of Income. Beginning with the March 1983 Call Report, all insured commercial banks will file the Report of Income each quarter. Thereafter, all insured commercial banks will automatically receive the UBPR each quarter.

- UBPR data on a particular bank or group of banks are available to the public for a fee. Also available are a State Average Report and a Peer Group Report. The UBPR source data, primarily Call Report information, have been available to the public for a number of years. The Uniform Bank Performance Report, however, is the first insured commercial bank supervisory performance report authorized for public distribution. Public orders for the UBPR totalled nearly 7,000 for the December 1982 and March and June 1983 reports.

Future Plans for Including New Information

A new quarterly report on past-due and nonperforming loans and leases was approved by the Council beginning December 31, 1982. Call Report revisions have also been approved for 1983, and further revisions are likely in 1984. Modifications to the UBPR will be made to reflect these changes.

Analysis of Nonperforming Loans and Lease Financing Receivables. Certain reporting changes were made effective December 1982 to provide information on nonperforming loans and leases. The new information will be incorporated into the December 1982 UBPRs distributed to the federal and state bank supervisors in April 1983. The information will be available to the public and included in the public UBPR effective with the June 1983 reporting period.

Quarterly Report of Income Filing. Currently, most banks are required to submit the Report of Income semi-annually (June and December). Beginning with the March 1983 Call Report, all insured commercial banks will be required to file both the Report of Condition and the Report of Income quarterly. These new quarterly data will be included in the UBPR beginning in March 1983.

Repricing Opportunities for Selected Balance Sheet Categories (Schedule J). Beginning with the June 1983 Call Report, insured commercial banks will file detailed information indicating maturities or repricing intervals for selected assets, liabilities; subordinated notes and debentures, and limited-life preferred stock. The new information will be incorporated into the UBPR to provide the capability to analyze each bank's interest rate sensitivity more accurately and to identify possible timing differences between maturing liabilities and maturing assets. Various ratios will be reformulated to coincide with supervisory definitions of "capital."

Commitments and Contingencies (Schedule L). Information concerning selected commitments, contingencies, and other items that are not reported as part of the Report of Condition balance sheet will be incorporated into the UBPR beginning with the June 1983 report. This additional information will be used to supplement the balance sheet information to provide the capability to assess the possible impact of commitments and contingencies on the bank's performance and condition.

Revised Call Reports. The Call Reports will be further revised effective with the March 1984 report. Any revisions approved by the Council will be reflected in the UBPRs beginning in March 1984.

Common Surveillance System

During the year, the task force dis-

cussed the possibility of developing uniform screening procedures for financial organizations, based on a report prepared by a member of the task force subcommittee.* This study of surveillance systems used by the various regulatory agencies described and compared the various screening components of the surveillance systems employed by each of the federal financial regulatory agencies and was part of the effort to standardize bank screening procedures. All five financial agencies use a computer screening program to identify financial institutions with potential or existing financial problems. These agencies employ two distinct types of screening programs. The Federal Deposit Insurance Corporation and the National Credit Union Administration identify exception institutions (institutions failing the screen) by comparing an institution's actual ratio values with a critical value. If an institution fails this test, it is a candidate for the exception list. The Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency (OCC), on the other hand, screen banks using peer groups; those banks at the bottom of the peer group become exception institutions. The Federal Home Loan Bank Board (FHLBB) uses both methods. Another major difference among the agencies is the use of a composite score (an aggregation of financial ratios) as a measure of overall financial soundness. The FHLBB, OCC, and FRB use this technique, although each utilizes

different ratios in deriving the composite score. Because of the differences in the approach to computer surveillance among the agencies, further research appears to be needed before there can be agreement on a common screening procedure.

Legal Advisory Group

Many of the projects undertaken by the Council, its task forces, and the Office of the Executive Secretary involved legal issues. The Legal Advisory Group (LAG) was therefore created shortly after the establishment of the Council to assist with these issues.

LAG is composed of senior legal officers of the agencies represented on the Council. The current chairman of the group is the Deputy General Counsel of the Board of Governors of the Federal Reserve System. The mandate of LAG is to provide legal assistance to Council task forces and the Office of the Executive Secretary and to address specific legal issues referred to it by the Council. The chairman of LAG also gives the Council legal advice at Council meetings.

During 1982, LAG participated in many projects undertaken by the Council and the task forces. For example, LAG assisted the Council by preparing a legal memorandum ex-

amining the Council's authority to formulate uniform principles and standards relating to the competitive factors that certain member agencies must consider when receiving applications under the Bank Merger Act. In addition, LAG assisted in the preparation of comments on the draft report to the Congress entitled "Bank Merger Process Should Be Modernized and Simplified." LAG also advised the Task Force on Supervision on various legal issues that arose during its drafting of proposed amendments to the 1983 Call Report. In this regard, LAG provided the Council with written legal opinions concerning the applicability of certain provisions of the Paperwork Reduction Act to the 1983 Call Report and the public availability of certain information contained in the 1983 Call Report.

LAG advised the Council, its task forces, and the Office of the Executive Secretary on sundry other matters, including the Council's responsibilities under the Freedom of Information Act, the Administrative Procedures Act, and the Regulatory Flexibility Act. It also reviewed various contracts and other agreements, assessing the Council's legal rights and obligations thereunder. Finally, LAG rendered advice on various issues arising under the Council's enabling statute and on the relationships among its member agencies and between the Council and other regulatory or administrative bodies.

*Barron Putnam, "Computer Screening Methods Employed by the Five Financial Regulatory Agencies to Identify Financial Institutions Having Actual or Potential Financial Problems," (report prepared for the Federal Financial Institutions Examination Council, November 13, 1981).



The Federal Financial Institutions Regulatory Agencies and Their Supervised Institutions

The five federal financial institutions regulatory agencies represented on the Council have primary federal supervisory jurisdiction over more than 35,000 domestically chartered banks and thrift institutions, which, on June 30, 1982, held total assets of over \$3.1 trillion. The Federal Reserve Board and the Federal Home Loan Bank Board also have primary federal supervisory responsibility for commercial bank holding companies and for savings and loan holding companies, respectively.

In addition, the three banking agencies have authority to oversee the operations of U.S. branches and agencies of foreign banks. The International Banking Act of 1978 (IBA) authorizes the Office of the Comptroller of the Currency to license federal branches and agencies of foreign banks and permits U.S. branches to apply for insurance with the FDIC. It also subjects those U.S. offices to many provisions of the Federal Reserve and Bank Holding Company Acts. The IBA gives primary examining authority to the OCC, the FDIC, and the various state authorities for the offices within their jurisdictions and gives residual examining authority over all U.S. banking operations of foreign banks to the Board of Governors of the Federal Reserve System.

The Board of Governors of the Federal Reserve System (FRB)

The FRB was established in 1913. It is headed by a seven-member Board of Governors. Each member is appointed by the President, with the advice and consent of the Senate, for a 14-year term. Subject to confirmation by the Senate, the President selects two Board members to serve four-year terms as Chairman and Vice Chairman. In activities most relevant to the work of the Council, the FRB —

- examines, supervises and regulates state member banks, bank holding companies, and Edge and agreement Corporations;
- approves or denies applications for mergers and acquisitions by state member banks and bank holding companies; and
- approves or denies applications for foreign operations of member banks and has residual supervisory responsibility for U.S. offices of foreign banks.

Implementation of policy decisions is carried out by the FRB and by the 12 Federal Reserve Banks, each of which has operational responsibility within a specific geographical area. Each Reserve Bank has a president and other officers, and employs a staff of bank examiners who examine state member banks and inspect bank holding companies located within the Reserve Bank's district. All national banks must be members of the Federal Reserve System. State-chartered banks may apply and be accepted for membership.

Funding for the Reserve Banks is derived from interest received on Treasury and federal agency securities held as assets by the Reserve Banks. The funds for such investments are derived partially from non-interest-earning reserves that member banks and other depository institutions are required to hold at the Reserve Banks and partially from non-interest-bearing Federal Reserve notes (currency) issued by the Reserve Banks. The Reserve Banks pay the FRB assessments, which are used to meet the agency's expenses.

The Federal Deposit Insurance Corporation (FDIC)

The FDIC was created in 1933 as the third federal bank regulatory agency

after the OCC and the FRB. It is headed by a three-member Board of Directors, no more than two of whom may be of the same political party. Two of the directors are appointed by the President, with the advice and consent of the Senate, for six-year terms, and one of those is elected by the board to be Chairman. The Comptroller of the Currency is the third Board member and serves on the Board during his or her tenure as Comptroller.

The FDIC provides —

- deposit insurance for commercial banks and state-chartered mutual savings banks;
- ongoing supervision of FDIC-insured, state-chartered commercial and mutual savings banks that are not members of the Federal Reserve System; and
- serves as trustee and receiver of all closed national banks and as receiver of closed insured state-chartered banks.

The bank supervision functions of the FDIC are shared with state and other federal authorities. All national banks and state banks that are members of the Federal Reserve System must be insured by the FDIC. Nonmember state banks may apply for FDIC deposit insurance. The FDIC examines and supervises those banks under its purview that are not examined by the other federal regulators, approves or denies their applications for structural or corporate changes, and rules on applications for insurance.

The FDIC is organized geographically into 13 regions, each of which is headed by a regional director. The Corporation is funded by assessments on average total deposits of insured banks.

The Federal Home Loan Bank Board (FHLBB)

The FHLBB was established in 1932. It is headed by a bipartisan three-member Board appointed by the President, with the advice and consent of the Senate. Full-term appointments are for four years, although uncompleted terms are filled only to completion. The Board is headed by a Chairman, named by the President. The FHLBB supervises the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation (FSLIC) and regulates federally chartered savings and loan associations. Supervision of FSLIC-insured, state-chartered savings and loan associations is shared between the FHLBB and the chartering state. In addition, Title XII of Public Law 95-630 provided for a limited, new class of federal institution, the federal mutual savings bank. Such institutions are chartered and regulated by the FHLBB, and their deposits are insured by the FSLIC.

The Federal Home Loan Bank System is composed of 12 geographical districts, each of which has a district Federal Home Loan Bank. In addition to federally chartered and FSLIC-insured, state-chartered savings and loan associations, all of which must be members of the Federal Home Loan Bank System, a number of state mutual savings banks, uninsured state savings and loan associations, and life insurance companies have been accepted as members of the System. Federal savings and loan examiners, assigned to district offices located in the 12 Bank System districts, are employees of the FHLBB. Supervisory Agents, the enforcement personnel of the agency, are employed by the district Federal Home Loan Banks.

The Federal Home Loan Bank Board regulates the savings and loan associations and federally chartered mutual savings banks through a combination of —

- bank system, federal, and FSLIC insurance regulations;
- approval authority over new charters, branches and mergers of federal savings and loan associations and federal mutual savings banks;
- approval of FSLIC insurance for federally and state-chartered savings and loan associations and federal mutual savings banks;
- supervision of savings and loan holding companies; and
- examination of federal- and FSLIC-insured state-chartered savings and loan associations and federal mutual savings banks.

The FSLIC, under supervision of the FHLBB, insures individual accounts. All federally chartered savings and loan associations and mutual savings banks must be insured, and state-chartered institutions may apply and be accepted for insurance.

The FHLBB is funded by assessments on the district Federal Home Loan Banks and the FSLIC and by fees charged to the institutions it examines.

The National Credit Union Administration (NCUA)

The NCUA was created in 1970 as the successor to the Bureau of Federal Credit Unions established in 1934. The purpose of the NCUA is to charter, examine, supervise, and provide share insurance for all federal credit unions. The NCUA also provides insurance for those state-chartered credit unions that apply and are accepted. Title XVIII of Public Law 95-630 created, within the agency, a National Credit Union Central Liquidity Facility to improve the general financial stability of member credit unions by helping them meet their liquidity needs. Membership in the facility is open to all federal and state credit unions that meet the membership requirements.

The NCUA is headed by a bipartisan three-member Board appointed by the President, with the advice and consent of the Senate. The Board is headed by a Chairman, named by the President. The Chairman and the Board Members serve terms of six years.

Major responsibilities of the NCUA are —

- chartering federal credit unions;
- supervising federal credit unions;
- examining federal credit unions;
- providing administrative services for federal credit unions;
- administering the National Credit Union Share Insurance Fund (NCUSIF); and
- managing the Central Liquidity Facility.

In addition, the NCUA has statutory authority to examine and supervise NCUSIF-insured, state-chartered credit unions, although the current practice is to accept examination reports prepared by state supervisory authorities. The NCUA is financed by operating fees assessed against federal credit unions that it examines and by share insurance premiums received from NCUSIF-insured credit unions.

The Office of the Comptroller of the Currency (OCC)

The OCC was established in 1863 as a bureau of the Treasury Department. It is headed by the Comptroller, who is appointed by the President, with the advice and consent of the Senate, for a five-year term. The OCC regulates national banks through its powers to —

- approve or deny applications for new charters, branches, mergers, or other changes in corporate or banking structure;
- examine the national banks and their affiliates;

• take various supervisory actions against banks that do not conform to laws and regulations or that otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing bank practices, issuance of cease-and-desist orders,

and assessment of civil money penalties; and

• issue rules and regulations concerning banking operations and governing bank lending and investment practices and corporate structure.

The OCC is organized geographically into 6 districts, each of which is headed by a Deputy Comptroller. The Office is funded through assessments on the assets of national banks and by fees charged to national banks and other applicants for certain regulatory approvals.

ASSETS, LIABILITIES AND NET WORTH of U.S. Commercial Banks and Thrift Institutions¹ for June 30, 1982
Billions of dollars

	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks	Mutual Savings Banks	Savings and Loan Associations		Credit Unions ³	
		National	State Member	Non-Member			Federal Charter	State Charter	Federal Charter	State Charter
Total Assets	3,146	1,205	392	454	189	157	450	209	46	24
Total loans and lease receivables (net)	1,972	696	223	242	116	96	379	177	27	15
Loans secured by real estate ⁴	930	174	37	89	5	87	366	169	1	2
Consumer loans ⁵	236	99	20	51	*	5	13	8	26	14
Commercial and industrial loans	541	305	104	73	56	3	*	*	†	†
All other loans and lease receivables ⁶	277	126	64	31	55	1	*	*	†	†
LESS: Allowance for possible loan losses	12	8	2	2	†	*	*	*	*	*
Federal funds sold and securities purchased under agreements to resell	100	49	14	23	8	6	*	*	†	†
Cash and due from depository institutions ⁷	348	202	70	46	23	6	†	†	1	*
Securities and other obligations ⁸	503	181	53	121	5	43	50	24	17	9
U.S. Gov't obligations ⁹	204	83	22	71	3	21	†	†	3	1
Obligations of state and local gov'ts ¹⁰	153	81	23	47	"	2	†	†	†	†
Other securities	72	17	8	3	2	20	†	†	14	8
Other Assets ¹¹	223	97	32	21	37	6	21	8	1	*
Total Liabilities	2,984	1,156	372	419	189	149	433	201	43	22
Total deposits and shares ¹²	2,423	940	291	388	73	140	357	170	42	22
Fed funds purchased and securities sold under agreements to repurchase	205	112	34	17	18	4	14	6	†	†
Other borrowings ¹³	182	29	19	5	48	4	55	21	1	"
Other liabilities ¹⁴	174	75	28	9	50	1	7	4	*	*
Net Worth ¹⁵	162	69	20	35	†	8	17	8	3	2
Memorandum: Number of institutions reporting	35,525	4,507	1,032	8,891	399	325	1,836	1,733	11,734	5,068

Symbols Appearing in Tables

- * = Less than \$500 million
- † = Not available separately
- ‡ = Not applicable

Footnotes to Tables

1. The table covers institutions, including those in Puerto Rico and U.S. territories and possessions, insured by the FDIC, FSLIC, or NCUSIF. All branches and agencies of foreign banks in the United States, but excluding any in Puerto Rico and U.S. territories and possessions, are covered whether or not insured. The table excludes Edge and agreement corporations that are not subsidiaries of U.S. commercial banks.

2. Reflects the fully consolidated statements of FDIC-insured U.S. banks—including their foreign branches, foreign subsidiaries, branches in Puerto Rico and U.S. territories and possessions, and Edge Act and agreement subsidiaries—and FDIC-insured banks in Puerto Rico and U.S. territories and possessions. Excluding bank holding companies.

3. The credit union data are for Federally-insured credit unions only. They do not include data for approximately 3,200 state-chartered credit unions with total assets of approximately \$12 billion. Of the latter group, all but about 150 are insured by their respective states.

4. Loans secured by residential property, commercial property, farmland (including improvements) and unimproved land, and construction loans secured by real estate. For savings and loan associations, also includes mortgage-backed securities, mortgage loans in

process, and wraparound loans.

5. Loans, except those secured by real estate, to individuals for household, family, and other personal expenditures, including both installment and single-payment loans. Net of unearned income in installment loans.

6. Loans to financial institutions, loans for purchasing or carrying securities, loans to finance agricultural production and other loans to farmers (except loans secured by real estate), and miscellaneous types of loans.

7. Vault cash, cash items in process of collection, and balances with U.S. and foreign banks and other depository institutions, including demand and time deposits and certificates of deposit for all categories of institutions except savings and loan associations, which do not report these assets separately.

8. Government and corporate securities, including mortgage-backed securities and loans to states and political subdivisions and to U.S. government agencies and corporations. For savings and loan associations, also includes cash and due from depository institutions and excludes mortgage backed securities.

9. U.S. Treasury securities and securities of, and loans to, U.S. government agencies and corporations, except for savings and loan associations that do not report these securities separately.

10. Securities of, and loans to, states and political subdivisions and public authorities, except for savings and loan associations that do not report these securities separately.

11. Customers' liabilities on acceptances, real property owned, various accrual accounts, and miscellaneous assets. For U.S. branches and agencies of foreign

banks, also includes net due from head office and other related institutions. For savings and loan associations, also includes equity investment in service corporation subsidiaries.

12. Demand, savings, and time deposits, including certificates of deposit at commercial banks, U.S. branches and agencies of foreign banks, and mutual savings banks; credit balances at U.S. agencies of foreign banks; and share balances at savings and loan associations and credit unions, including certificates of deposit, NOW accounts, share draft accounts, etc. For U.S. commercial banks, includes \$265 billion deposits in foreign offices, branches in U.S. territories and possessions, and Edge and agreement subsidiaries.

13. Interest-bearing demand notes issued to the U.S. Treasury, borrowing from Federal Reserve Banks and Federal Home Loan Banks, subordinated debt, and other non-deposit borrowing.

14. Depository institutions' own mortgage borrowing, liability for capitalized leases, liability on acceptances executed, various accrual accounts, and miscellaneous liabilities. For U.S. branches and agencies of foreign banks, also includes net due to head office and other related institutions. For savings and loan associations, also includes offset items for loans in process and for wraparound loans.

15. Capital stock, surplus, capital reserves, undivided profits, etc.

16. U.S. branches and agencies of foreign banks are not required to file reports of income.

NOTE: Because of rounding, details may not add to totals.

INCOME AND EXPENSES of U.S. Commercial Banks and Thrift Institutions¹ for 12 Months Ending June 30, 1982
Billions of dollars

	Total	U.S. Commercial Banks ²			U.S. Branches and Agencies of Foreign Banks ¹⁶	Mutual Savings Banks	Savings and Loan Associations		Credit Unions	
		National	State Member	Non- Member			Federal Charter	State Charter	Federal Charter	State Charter
Operating Income	357	156	50	56		15	48	23	6	3
Interest and fees on loans	247	105	33	35		9	40	19	4	2
Other interest and dividend income	87	39	13	18		5	6	3	2	1
All other operating income	23	12	4	3		1	2	1	*	*
Operating Expenses	345	145	46	50		17	52	25	5	3
Salaries and benefits	37	17	5	8		1	3	2	1	*
Interest on deposits and shares	225	88	28	32		14	39	19	3	2
Interest on other borrowed money	43	20	8	3		1	8	3	*	*
Provision for loan losses	6	4	1	1		*	†	†	*	*
All other operating expenses	34	16	5	7		1	2	1	1	1
Net Operating Income	12	11	3	5		(2)	(4)	(2)	*	*
Securities Gains and Losses	(2)	(1)	*	*		*	*	*	*	*
Taxes	4	2	1	1		*	*	*	†	†
Net Income	6	8	2	4		(2)	(4)	(2)	*	*
Memo:andum: Number of institutions reporting	35,126	4,507	1,032	8,891		325	1,836	1,733	11,734	5,068

Appendixes

A. Title X of Public Law 95-630

Title X establishing the Federal Financial Institutions Examination Council is as follows:

Sec. 1001. This title may be cited as the "Federal Financial Institutions Examination Council Act of 1978."

Purpose

Sec. 1002. It is the purpose of this title to establish a Financial Institutions Examination Council which shall prescribe uniform principles and standards for the Federal examination of financial institutions by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank Board, and the National Credit Union Administration and make recommendations to promote uniformity in the supervision of these financial institutions. The Council's actions shall be designed to promote consistency in such examination and to insure progressive and vigilant supervision.

Definitions

Sec. 1003. As used in this title—

(1) the term "Federal financial institutions regulatory agencies" means the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration;

(2) the term "Council" means the Financial Institutions Examination Council; and

(3) the term "financial institution" means a commercial bank, a savings bank, a trust company, a savings and loan association, a building and loan association, a homestead association, a cooperative bank, or a credit union.

Establishment of the Council

Sec. 1004. (a) There is established the Financial Institutions Examination Council which shall consist of—

(1) the Comptroller of the Currency,

(2) the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation,

(3) a Governor of the Board of Governors of the Federal Reserve System designated by the Chairman of the Board,

(4) the Chairman of the Federal Home Loan Bank Board, and

(5) the Chairman of the National Credit Union Administration Board.

(b) The members of the Council shall select the first chairman of the Council. Thereafter the chairmanship shall rotate among the members of the Council,

(c) The term of the Chairman of the Council shall be two years.

(d) The members of the Council may, from time to time, designate other officers or employees of their respective agencies to carry out their duties on the Council.

(e) Each member of the Council shall serve without additional compensation but shall be entitled to reasonable expenses incurred in carrying out his official duties as such a member.

Expenses of the Council

Sec. 1005. One-fifth of the costs and expenses of the Council, including the salaries of its employees, shall be paid by each of the Federal financial institutions regulatory agencies. Annual assessments for such share shall be levied by the Council based upon its projected budget for the year, and additional assessments may be made during the year if necessary.

Functions of the Council

Sec. 1006. (a) The Council shall establish uniform principles and standards and report forms for the examination of financial institutions which shall be applied by the Federal financial institutions regulatory agencies.

(b)(1) The Council shall make recommendations for uniformity in other supervisory matters, such as, but not limited to, classifying loans subject to country risk, identifying financial institutions in need of special supervisory attention, and evaluating the soundness of large loans that are shared by two or more financial institutions. In addition, the Council shall make recommendations regarding the adequacy of supervisory tools for determining the impact of holding company operations on the financial institutions within the holding company and shall consider the ability of supervisory agencies to discover possible fraud or questionable and illegal payments and practices which might occur in the operation of financial institutions or their holding companies.

(2) When a recommendation of the Council is found unacceptable by one or more of the applicable Federal financial institutions regulatory agencies, the agency or agencies shall submit to the Council,

within a time period specified by the Council, a written statement of the reasons the recommendation is unacceptable.

(c) The Council shall develop uniform reporting systems for Federally supervised financial institutions, their holding companies, and non-financial institution subsidiaries of such institutions or holding companies. The authority to develop uniform reporting systems shall not restrict or amend the requirements of section 12(i) of the Securities Exchange Act of 1934.

(d) The Council shall conduct schools for examiners and assistant examiners employed by the Federal financial institutions regulatory agencies. Such schools shall be open to enrollment by employees of State financial institutions supervisory agencies under conditions specified by the Council.

(e) Nothing in this title shall be construed to limit or discourage Federal regulatory agency research and development of new financial institutions supervisory methods and tools, nor to preclude the field testing of any innovation devised by any Federal regulatory agency.

(f) Not later than April 1 of each year, the Council shall prepare an annual report covering its activities during the preceding year.

State Liaison

Sec. 1007. To encourage the application of uniform examination principles and standards by State and Federal supervisory agencies, the Council shall establish a liaison committee composed of five representa-

tives of State agencies which supervise financial institutions which shall meet at least twice a year with the Council. Members of the liaison committee shall receive a reasonable allowance for necessary expenses incurred in attending meetings.

Administration

Sec. 1008. (a) The Chairman of the Council is authorized to carry out and to delegate the authority to carry out the internal administration of the Council, including the appointment and supervision of employees and the distribution of business among members, employees, and administrative units.

(b) In addition to any other authority conferred upon it by this title, in carrying out its functions under this title, the Council may utilize, with their consent and to the extent practical, the personnel, services, and facilities of the Federal financial institutions regulatory agencies, Federal Reserve Banks, and Federal Home Loan Banks, with or without reimbursement therefor.

(c) In addition, the Council may—

(1) subject to the provisions of Title 5, United States Code, relating to the competitive service, classification, and General Schedule pay rates, appoint and fix the compensation of such officers and employees as are necessary to carry out the provisions of this title, and to prescribe the authority and duties of such officers and employees; and

(2) obtain the services of such experts and consultants as are

necessary to carry out the provisions of the title.

Access to Information by the Council

Sec. 1009. For the purpose of carrying out this title, the Council shall have access to all books, accounts, records, reports, files, memorandums, papers, things, and property belonging to or in use by Federal financial institutions regulatory agencies, including reports of examination of financial institutions or their holding companies from whatever source, together with workpapers and correspondence files related to such reports, whether or not a part of the report, and all without any deletions.

Audits by the Comptroller General

Sec. 1010. Section 117 of the Accounting and Auditing Act of 1950, as amended by the Federal Banking Agency Audit Act (Public Law 95-320), is further amended by:

(1) redesignating clauses (A), (B), and (C) of subsection (e)(1) as (B), (C), and (D), respectively, and inserting in subsection (e)(1) the clause "(A) of the Financial Institutions Examination Council;" immediately following "audits;" and

(2) striking out in subsection (e)(2) "and (C)" and inserting in lieu thereof "(C), and (D)."

B. 1982 Audit Report

To the Federal Financial Institutions Examination Council:

We have examined the balance sheets of the FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL as of December 31, 1982 and 1981, and the related statements of revenues and expenses and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted

auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Federal Financial Institutions Examination Council as of December 31, 1982 and 1981, and its revenues and expenses

and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Washington, D.C.
February 25, 1983.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

BALANCE SHEETS AS OF DECEMBER 31, 1982 AND 1981

	ASSETS				1981
	1982				
	Operations	Lodging Facility	Examiner Education	Total	
OPERATING FUND:					
Cash, held by Board of Governors of the Federal Reserve System	\$219,220	\$ 85,209	\$49,706	\$354,135	\$386,041
Accounts receivable	50,456	18,151	12,868	81,475	50,899
Prepaid expenses	2,510	—	—	2,510	—
Total operating fund	<u>272,186</u>	<u>103,360</u>	<u>62,574</u>	<u>438,120</u>	<u>436,940</u>
PROPERTY FUND:					
Office furniture and equipment, at cost (Note 2)	41,624	314	22,916	64,854	57,135
Total property fund	<u>41,624</u>	<u>314</u>	<u>22,916</u>	<u>64,854</u>	<u>57,135</u>
Total assets	<u>\$313,810</u>	<u>\$103,674</u>	<u>\$85,490</u>	<u>\$502,974</u>	<u>\$494,075</u>
LIABILITIES AND FUND BALANCES					
OPERATING FUND:					
Liabilities—					
Accounts payable and accrued liabilities	\$131,237	\$ 2,074	\$ 9,535	\$142,846	\$211,186
Advances from member organizations	—	101,286	—	101,286	164,233
Accrued annual leave	8,517	—	—	8,517	10,642
Total liabilities	<u>139,754</u>	<u>103,360</u>	<u>9,535</u>	<u>252,649</u>	<u>386,061</u>
Commitment (Note 4)					
Fund balance—					
Balance, beginning of year	33,027	—	17,852	50,879	57,429
Revenues over expenses	99,405	—	35,187	134,592	15,111
Distribution of 1980 lodging facility fund balance (Note 4)	—	—	—	—	(21,661)
Balance, end of year	<u>132,432</u>	<u>—</u>	<u>53,039</u>	<u>185,471</u>	<u>50,879</u>
Total operating fund	<u>272,186</u>	<u>103,360</u>	<u>62,574</u>	<u>438,120</u>	<u>436,940</u>
PROPERTY FUND:					
Fund balance—					
Balance, beginning of year	39,433	—	17,702	57,135	58,159
Additions, at cost	2,191	314	5,214	7,719	1,153
Disposals, at cost	—	—	—	—	(2,177)
Total property fund	<u>41,624</u>	<u>314</u>	<u>22,916</u>	<u>64,854</u>	<u>57,135</u>
Total liabilities and fund balance	<u>\$313,810</u>	<u>\$103,674</u>	<u>\$85,490</u>	<u>\$502,974</u>	<u>\$494,075</u>

The accompanying notes are an integral part of these balance sheets.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

STATEMENTS OF REVENUES AND EXPENSES FOR THE YEARS ENDED DECEMBER 31, 1982 AND 1981

	1982			1981	
	Operations	Lodging Facility	Examiner Education	Total	Total
REVENUES:					
Assessments to member organizations (Notes 2 and 3)	\$875,000	\$ —	\$ —	\$ 875,000	\$ 568,650
Lodging facility rental (Note 4)	—	957,498	—	957,498	1,505,052
Tuition (Note 2)	—	—	83,665	83,665	421,975
Total revenues	<u>875,000</u>	<u>957,498</u>	<u>83,665</u>	<u>1,916,163</u>	<u>2,495,677</u>
FUNDED EXPENSES:					
Lodging facility rental (Note 4)	—	926,321	—	926,321	1,462,725
Salaries and related benefits (Notes 2 and 3)	365,859	26,168	—	392,027	397,936
Data processing	120,001	—	—	120,001	154,206
Rental of office space (Notes 2 and 3)	104,021	—	—	104,021	133,792
Professional fees	102,838	—	1,120	103,958	4,300
Printing	24,313	—	17,546	41,859	50,177
Administrative fees (Note 3)	20,350	4,800	—	25,150	22,400
Books and subscriptions	386	—	15,800	16,186	37,087
Travel (Note 3)	13,524	—	—	13,524	172,295
Rental and maintenance of office equipment	10,702	—	—	10,702	9,274
Postage	3,044	—	3,702	6,746	12,632
Telephone	3,948	—	2,734	6,682	5,366
Office supplies	2,039	357	3,663	6,079	9,848
Miscellaneous	2,349	—	372	2,721	6,283
Total funded expenses	<u>773,374</u>	<u>957,646</u>	<u>44,957</u>	<u>1,775,977</u>	<u>2,478,321</u>
Revenues over (under) funded expenses before property additions	101,626	(148)	38,708	140,186	17,356
Property additions (Note 2)	<u>2,191</u>	<u>314</u>	<u>5,214</u>	<u>7,719</u>	<u>1,153</u>
Revenues over (under) funded expenses and property additions	99,435	(462)	33,494	132,467	16,203
UNFUNDED ACCRUED ANNUAL LEAVE	<u>30</u>	<u>(462)</u>	<u>(1,693)</u>	<u>(2,125)</u>	<u>1,092</u>
REVENUES OVER FUNDED EXPENSES, PROPERTY ADDITIONS AND UNFUNDED ACCRUED ANNUAL LEAVE					
	<u>\$ 99,405</u>	<u>\$ —</u>	<u>\$35,187</u>	<u>\$ 134,592</u>	<u>\$ 15,111</u>

The accompanying notes are an integral part of these statements.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31, 1982 AND 1981

	1982			1981	
	Operations	Lodging Facility	Examiner Education	Total	Total
SOURCES OF CASH:					
Assessments, rentals and tuition	\$875,000	\$ 957,498	\$ 83,665	\$1,916,163	\$2,495,677
Total sources	875,000	957,498	83,665	1,916,163	2,495,677
USES OF CASH:					
Funded expenses	773,374	957,646	44,957	1,775,977	2,478,321
Property additions	2,191	314	5,214	7,719	1,153
Increase (decrease) in accounts receivable and prepaid expenses	52,966	(2,123)	(17,757)	33,086	(105,516)
Increase (decrease) in accounts payable and accrued liabilities	(38,339)	53,545	53,184	68,340	(129,421)
Increase (decrease) in advances from member organizations	—	8,467	54,480	62,947	(40,099)
Distribution of 1980 lodging facility fund balance	—	—	—	—	21,661
Total uses	790,142	1,017,849	140,078	1,948,069	2,226,099
INCREASE (DECREASE) IN CASH	84,858	(60,351)	(56,413)	(31,906)	269,578
CASH BALANCE, beginning of year	134,362	145,560	106,119	386,041	116,463
CASH BALANCE, end of year	\$219,220	\$ 85,209	\$ 49,706	\$ 354,135	\$ 386,041

The accompanying notes are an integral part of these statements.

Notes to Financial Statements as of December 31, 1982 and 1981

(1) Organization and Purpose

The Federal Financial Institutions Examination Council (the "Council") was established under Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (the "Act"). The purpose of the Council is to prescribe uniform principles and standards for the Federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The five Federal agencies which are represented on the Council, referred to hereafter as member organizations, are as follows.

- Office of the Comptroller of the Currency
- Board of Governors of the Federal Reserve System
- Federal Deposit Insurance Corporation
- Federal Home Loan Bank Board
- National Credit Union Administration

(2) Significant Accounting Policies

Fund Accounting — The Council maintains its accounts in three self-balancing funds (each with operating and property fund balances) which have been established for the following purposes.

- Operations — to account for all activities of the Council other than those activities accounted for in the two specific-purpose funds below.
- Lodging Facility — to account for the costs of obtaining lodging for out-of-town examiners of the member organizations who attend training courses provided by the Council, and for the rentals charged to the member organizations.
- Examiner Education — to account for the costs of providing training courses for examiners employed by the member organizations and for the related tuition charged to the member organizations.

In 1982, certain expenses for rent, salaries and other operational items previously charged to the Examiner Education Fund were charged to the Operations Fund. As a result, tuition fees for participants were reduced and assessments to member organizations were increased accordingly.

Accounting for Property — The Council does not charge depreciation as an operating expense. Property additions are charged to expense in the Operating Fund in the year of acquisition; recoveries on the disposal of property are recorded as a reduction of expense in the Operating Fund in the year of disposal. When property is acquired or sold, the property asset account and the balance in the Property Fund account are increased or decreased at cost.

Basis of Presentation — The accompanying financial statements present account balances for each of the self-balancing funds in 1982, but only summarized totals for 1981. The account balances for each of the funds are presented for informational purposes and are not necessary to constitute a fair presentation in accordance with generally accepted accounting principles.

(3) Transactions with Member Organizations

As provided by the Act, member organizations are each assessed one-fifth of the annual budgeted operating expenses of the Council. Each member organization paid their assessed costs of \$175,000 in 1982 and \$113,730 in 1981. In addition, each member organization advanced \$16,344 to the Examiner Education Fund in 1980 to finance its startup costs. One-third of these advances were repaid to the member organizations in 1981, and the remaining two-thirds were repaid in 1982.

The Board of Governors of the Federal Reserve System provides administrative support services to the Council. The Council paid the Board \$25,150 in 1982 and \$22,400 in 1981 for these services.

Member organizations provide office space and data processing services to the Council. The Council paid member organizations \$212,792 in 1982 and \$287,998 in 1981 for these items.

Council employees are paid through the payroll systems of member organizations. Salaries and fringe benefits disbursed on behalf of the Council are reimbursed in full to these organizations.

Prior to 1982, member organizations were reimbursed for travel expenses incurred in providing instructional services to the Council. Beginning in 1982, the Council no longer reimbursed the organizations for these expenses.

Member organizations are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services has not been included in the accompanying financial statements.

(4) Lease of Lodging Facility

The Council leased efficiency units in Arlington, Virginia at a total cost of \$926,321 in 1982 and \$1,462,725 in 1981. The Council was reimbursed by the member organizations in proportion to their usage of the facility. The lease agreement can be renewed semi-annually through December 1985. Future minimum lease payments for these units were approximately \$514,000 at December 31, 1982.

In 1980, the operation of the lodging facility resulted in revenues over expenses of \$21,661. Since the Council does not intend for the Lodging Facility Fund to generate income in excess of actual expenses, the aforementioned \$21,661 was distributed to the three sponsoring agencies (Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System) in 1982. This amount is reflected in the 1981 Balance Sheet as a reduction of the Lodging Facility Fund Balance and is included in Accounts Payable at December 31, 1981.

In 1982 and 1981, the rental charges for the lodging facility were adjusted at year-end to effectively show a breakeven operation for the Lodging Facility Fund for the year.

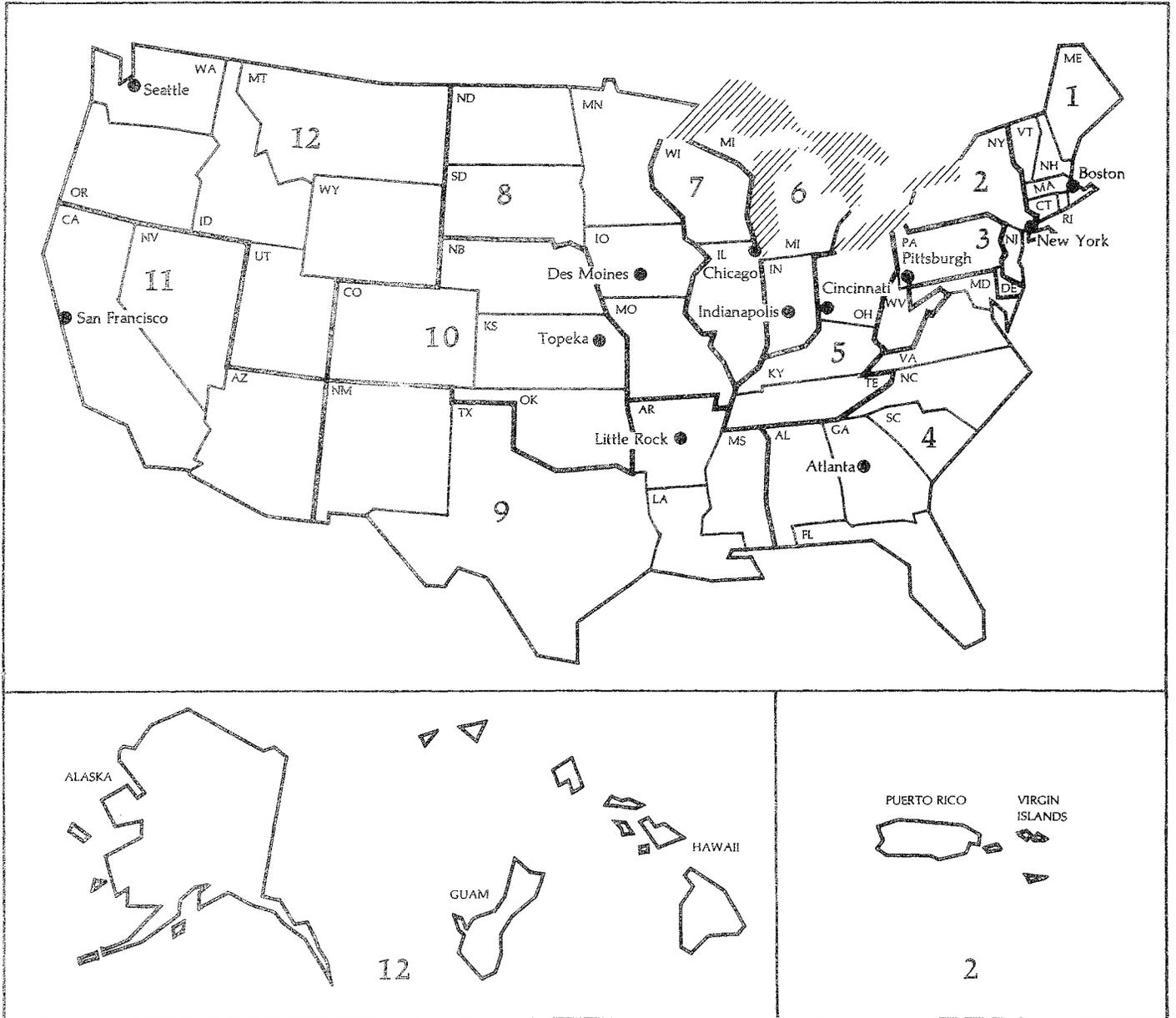
C. Maps of Agency District or Regional Divisions

- 38 Board of Governors of the Federal Reserve System
- 39 Federal Deposit Insurance Corporation
- 40 Federal Home Loan Bank Board
- 41 National Credit Union Administration
- 42 Office of the Comptroller of the Currency

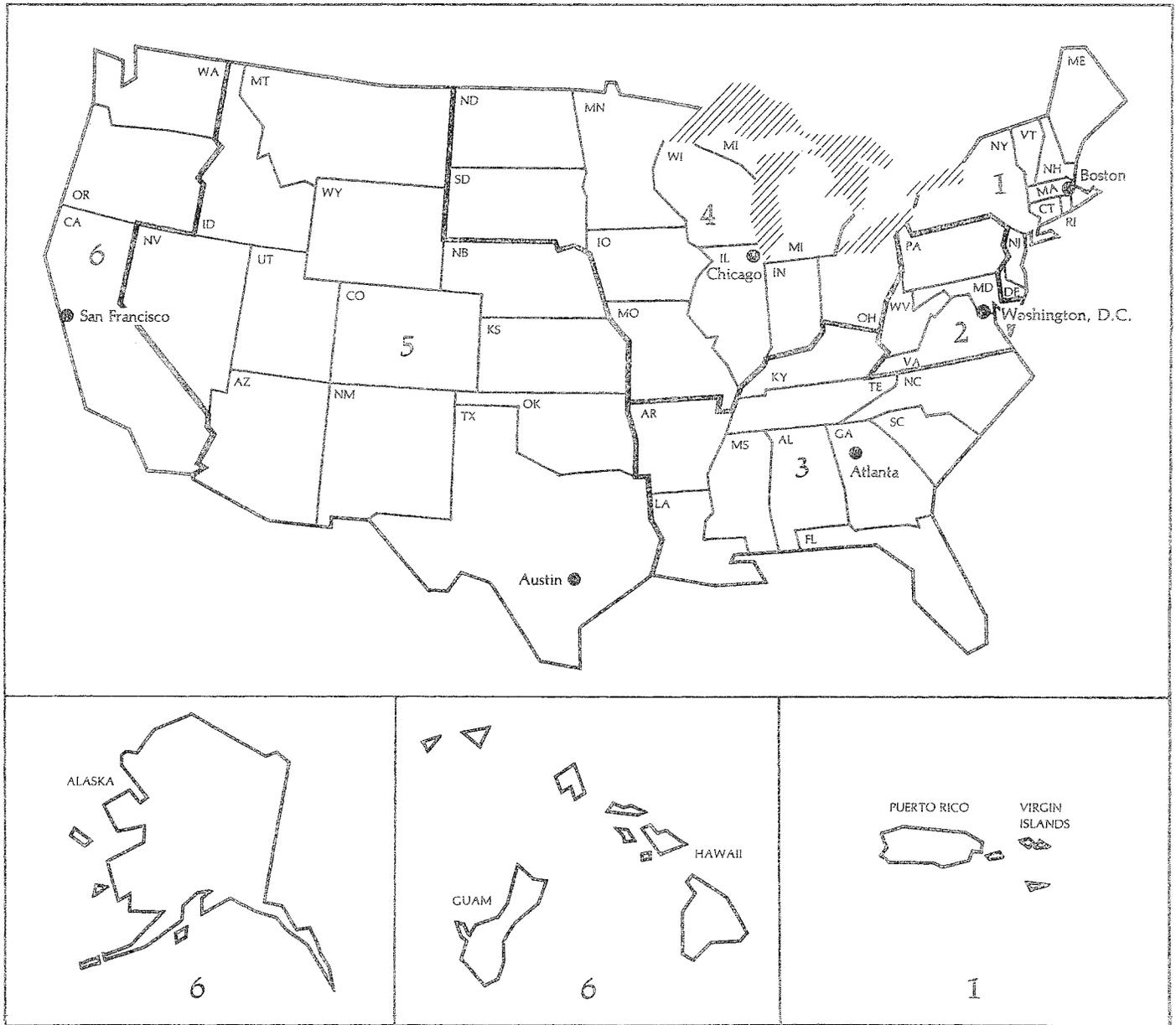
The Federal Reserve System Districts



Federal Home Loan Bank Districts



National Credit Union Administration Districts



Comptroller of the Currency District Organization

